

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES
MEDICAL ASSISTANCE ADMINISTRATION
Olympia, Washington**

To: Hospitals
Managed Care Plans
Regional Administrators
CSO Administrators

Memorandum No. 02-05 MAA
Issued: February 7, 2002

From: Douglas Porter, Assistant Secretary
Medical Assistance Administration

Subject: Update to the Billing Procedures for Outpatient Hospital Claims

Effective for dates of service on and after July 1, 2002, the Medical Assistance Administration (MAA) will require hospitals to bill outpatient claims using the line item date of service and the appropriate revenue codes with Health Care Financing Administration Common Procedure Coding System (HCPCS) codes, Current Procedural Terminology (CPT®) codes, and modifiers. Also effective July 1, 2002, MAA will standardize billing procedures and payment for outpatient observation room services.

Outpatient Prospective Payment System (OPPS)

On October 5, 2001, MAA began accepting modifiers and line item dates of service on outpatient hospital claims in anticipation of new billing procedures for the Outpatient Prospective Payment System (OPPS).

OPPS is scheduled for implementation six months after the federal Health Insurance Portability and Accountability Act (HIPAA) regulations are adopted. OPPS will require hospitals to bill using applicable revenue codes, CPT® codes, HCPCS codes, and modifiers. Hospitals are encouraged to begin using these codes and the line item date of service now because they will be required on all outpatient hospital claims effective July 1, 2002. This applies to all hospital billings, regardless of OPPS participation.

These changes will be reflected in MAA's Outpatient Hospital Services Billing Instructions which MAA is currently revising. Complete billing instructions for OPPS are available on Medicare's Learning Network OPPS website at: <http://www.hcfa.gov/medlearn/oppstraining.htm>.

Outpatient Observation room Services

The Centers for Medicare and Medicaid Services (CMS) reimburses very few cases of observation room services under OPPS. MAA recognizes that its clients are significantly different from Medicare's in that MAA has more patients who require observation room services, especially for cases of false labor in pregnant mothers or for clients with asthmatic conditions. Therefore, MAA has decided to deviate from CMS's payment method for observation room services.

Effective July 01, 2002, MAA will reimburse hospitals for outpatient observation room services only when billed under revenue code 762 and with the applicable CPT[®] code at the lesser of MAA's:

- Maximum allowable outpatient reimbursement for the service(s); or
- Administrative day rate described in WAC 388-550-4500(8)(a).

To obtain this memorandum electronically, go to MAA's website at <http://maa.dshs.wa.gov> (Click on the Provider Publications/Fee Schedules link).